No. 92-114

IN THE
Supreme Court of the United States
OCTOBER TERM, 1992

CARDINAL CHEMICAL COMPANY, et al.,
Petitioners,
vs.
MORTON INTERNATIONAL, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF *AMICUS CURIAE* OF THE AMERICAN BAR ASSOCIATION IN SUPPORT OF PETITIONERS

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QUESTION PRESENTED

Whether the Court of Appeals for the Federal Circuit errs when it vacates a declaratory judgment holding an asserted patent invalid merely because it determines that the patent is not infringed.

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STATEMENT OF INTEREST

The American Bar Association ("ABA") is a voluntary, national membership organization of the legal profession. The more than 360,000 members of the ABA come from every state and territory and the District of Columbia. The ABA's constituency includes attorneys in private practice, legislators, law professors,

law students and a number of non-lawyer "associates" in related fields.

The Section of Patent, Trademark and Copyright Law ("Section") of the ABA includes over 10,000 ABA members interested and having expertise in intellectual property law. Since 1894, the ABA and the Section have contributed to the development of a system for protection of intellectual property and thereby advanced the technological development of our nation. Many members of the Section practice in the field of patent law, representing patent owners, potential infringers, and persons and businesses affected by patents.

The ABA believes that the issue presented is of national public importance. By the decision below, the United States Court of Appeals for the Federal Circuit, with its exclusive appellate jurisdiction in patent cases, continues its practice of routinely vacating declaratory judgments of patent invalidity whenever it finds noninfringement. Though the ABA has no interest in the outcome of the validity determination in this case, it participates as *amicus curiae* to protect the interests of patent litigants and those in the business community and public represented by our members that would be directly and adversely affected if the decision below were

allowed to stand. Thus, the ABA respectfully suggests that this Court grant a writ of certiorari.

The ABA has received the consent of all parties in this case to present its views.

SUMMARY OF ARGUMENT

The Federal Circuit has received considerable criticism from the bench and bar for its practice of routinely vacating declaratory judgments of patent invalidity whenever it has determined that there is no infringement. Despite this criticism, and the pleas of parties and amici curiae to stop resurrecting invalid patents without review, the Federal Circuit has refused to reconsider or explain its practice. Because the Federal Circuit has exclusive jurisdiction over appeals in patent cases, only an exercise of this Court's supervisory power can correct the Federal Circuit's practice.

Further, the Federal Circuit's practice directly conflicts with this Court's decision in *Altvater v. Freeman*, 319 U.S. 359 (1943). The Federal Circuit's interpretation of *Altvater* to suggest otherwise is simply incorrect.

Moreover, the Federal Circuit's practice presents a significant question of federal law because it affects numerous cases, each of which may result in needless, repetitive litigation on resurrected patents. This

repetitive patent litigation wastes the resources of the litigants, the Federal Circuit, and the already heavily-burdened district courts.

ARGUMENT

I. THE FEDERAL CIRCUIT'S PRACTICE CALLS FOR AN EXERCISE OF THIS COURT'S POWER OF SUPERVISION

The United States Court of Appeals for the Federal Circuit has jurisdiction over all appeals from the United States district courts in actions arising under the patent laws. 28 U.S.C. § 1295(a)(1). The typical action arising under the patent laws is one in which the patent owner, or patentee, charges an alleged infringer with infringement of the patent and the alleged infringer raises a host of defenses including noninfringement and invalidity of the patent. The alleged infringer often challenges the validity of the patent by way of a claim under the Declaratory Judgment Act, 28 U.S.C. § 2201, either as an original complaint or as a counterclaim.

Where both patent invalidity and noninfringement are at issue, the Federal Circuit has instructed district courts to decide both issues. *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540-41 (Fed. Cir. 1983). As a result, the district court may enter judgment on both issues, for example, denying the patentee relief on its

infringement claim because of noninfringement and granting the alleged infringer a declaration of patent invalidity.

On June 16, 1987, the Federal Circuit adopted the practice of vacating the district court's holding of invalidity whenever the Federal Circuit determines that the patent is not infringed. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987); *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627, 634 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1027 (1988). The Federal Circuit follows this practice regardless of whether the district court's invalidity holding is merely on a defense or embodied in a judgment under the Declaratory Judgment Act.

Since 1987, the Federal Circuit's practice has been the subject of extensive criticism, both from district courts[1] and commentators.[2] Despite this criticism and repeated requests both from parties and amici curiae,

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[1] *See, e.g., Morton Int'l, Inc. v. Cardinal Chem. Co.*, 1992 U.S. App. LEXIS 14519, at *2 (Nies, C.J., dissenting from denial of rehearing in banc) (quoting remarks of Judge Avern Cohn); *Wang Laboratories, Inc. v. Toshiba Corp.*, 1992 U.S. Dist. LEXIS 9256, at *7 n.3 (E.D. Va. July 2, 1992).

[2] *See, e.g.*, Robert Harmon, *Patents & the Federal Circuit* 551-554 (2d ed. 1991); Joseph R. Re & William C. Rooklidge, *Vacating Patent Invalidity Judgments Upon an Appellate Determination of Noninfringement*, 72 J. Pat. & Trademark Off. Soc'y 780 (1990).

the Federal Circuit has refused to reconsider or explain its practice.

Because the Federal Circuit has exclusive jurisdiction over appeals in patent cases and has repeatedly refused to reconsider or explain its practice, only this Court's exercise of its power of supervision can correct the Federal Circuit's practice. *Morton Int'l, Inc. v. Cardinal Chem. Co.*, 1992 U.S. App. LEXIS 14519, at *24 (Nies, C.J., dissenting from denial of rehearing in banc). Therefore, this case requires an exercise of this Court's power of supervision.

II. THE FEDERAL CIRCUIT'S PRACTICE CONFLICTS WITH THIS COURT'S ALTVATER DECISION

In his concurrence in *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987), Judge Bennett relied on this Court's decision in *Altvater v. Freeman*, 319 U.S. 359 (1943), to support the Federal Circuit's practice. Rather than support the practice, however, *Altvater* directly conflicts with the practice.

In *Altvater*, the patent owner sued for specific performance of a patent license agreement, and the licensees counterclaimed for a declaratory judgment of patent invalidity. The district court held that there was no infringement, the licensees were not breaching the

license agreement, and the patents were invalid. The court of appeals affirmed the noninfringement finding, ruled that there no longer existed a justiciable controversy between the parties, and vacated the invalidity judgment. This Court reversed.

The Court recognized in *Altvater* a significant distinction between an alleged infringer's right to a declaratory judgment of invalidity, at issue in *Altvater*, and a mere defense of invalidity. The *Altvater* Court held that a declaratory judgment of patent invalidity may not be summarily vacated as moot *solely* because of a noninfringement finding. 319 U.S. at 363.

In dictum, the *Altvater* Court observed that "the issues raised by the present counterclaim were justiciable and that the controversy between the parties did not come to an end on the dismissal of the bill for noninfringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit."[3] 319 U.S. at 363-64. The Federal Circuit

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[3] The fact that there were devices and claims at issue beyond those involved in the suit was relevant, if at all, to the continuing controversy only in that it established that the licensee had standing to challenge the patent's validity despite the then-existing doctrine of licensee estoppel. This Court's rejection of licensee estoppel in *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969), deprived this fact of any relevance. *Morton v. Cardinal*, 1992 U.S. App. LEXIS 14519, at *7-9 (Nies, C.J., dissenting from denial of rehearing in banc).

interprets this dictum to stand for the proposition that the controversy that precluded vacating the invalidity judgment in *Altvater* depended upon the presence of additional claims or devices not involved in the noninfringement finding. *See Fonar*, 821 F.2d at 634 n.2; *Vieau*, 823 F.2d at 1518 (Bennett, J., concurring). It therefore vacates the invalidity judgment when additional claims or devices might not be involved, to avoid "what might turn out to be a hypothetical situation." *Vieau*, 823 F.2d at 1520 (Bennett, J., concurring). But, as explained below in Part III, the Federal Circuit's notion of judicial economy rests on false assumptions.

The Federal Circuit has elevated the *Altvater* dicta to a practice that conflicts with the *Altvater* holding. As noted by Chief Judge Nies, *Altvater* "does not support the holding of *Vieau*, [and] we should overrule *Vieau* . . . ." *Morton v. Cardinal*, 1992 U.S. App. LEXIS 14519, at *2 (Nies, C.J., dissenting from denial of rehearing in banc).

III. THE FEDERAL CIRCUIT'S PRACTICE INVOLVES AN IMPORTANT QUESTION OF FEDERAL LAW WHICH SHOULD BE SETTLED BY THIS COURT

Since adopting its practice in 1987, the Federal Circuit has applied the practice in well over a dozen published opinions and innumerable unpublished opinions. In fact, the court has failed to inquire into patent validity after determining noninfringement in every published case since *Vieau* and *Fonar*. The issue is certain to reoccur.

Federal Circuit opinions suggest that the court's practice is based, in part, on judicial economy. Any resulting judicial economy is, however, as this case vividly illustrates, false economy. Resurrection of patents found invalid by the district court necessarily requires repeat litigation of validity until an "actual" infringement is found. Of course, if the patent is invalid, there is no infringement, and the parties and the courts should not be required to suffer the costs of repeat litigation.

Had the Federal Circuit reviewed the invalidity judgment in the *Argus* case, *Morton Thiokol, Inc. v. Argus Chem. Corp.*, 873 F.2d 1451 (Fed. Cir. 1989) (unpublished), it is possible that a substantial portion of

the eight-day *Argus* bench trial would not have been wasted, neither Morton, petitioner Cardinal (who claims to have spent over one million dollars in *Morton v. Cardinal*), the *Morton v. Cardinal* district court, nor the Federal Circuit would have had to expend their resources in *Morton v. Cardinal*, and neither Morton, Atochem, the Atochem district court nor the Federal Circuit would have to expend their resources in the *Atochem* case, *Morton Int'l, Inc. v. Atochem N. Am., Inc.*, No. 87-60-CMW (D. Del.). Likewise, the Federal Circuit's review of the invalidity judgment in the case at bar could prevent the waste of a substantial portion of the five-day trial and could also prevent Morton, Atochem, the *Atochem* district court and the Federal Circuit from wasting their resources in *Atochem*. Thus, the Federal Circuit's practice risks wasting the resources of patentees, alleged infringers, district courts and the Federal Circuit alike in unnecessary repetitive litigation.

The repetitive litigation spawned by the Federal Circuit's practice hits the already overburdened district courts especially hard. *Wang Laboratories, Inc. v. Toshiba Corp.*, 1992 U.S. Dist. LEXIS 9256, at *7 n.3 (E.D. Va. July 2, 1992) (the Federal Circuit's practice wastes judicial resources by "having two trial courts consider the same validity issue"). And to the injury of

unnecessary, repetitive, complex, patent litigation, the Federal Circuit's practice adds the insult of vacatur of the district court's invalidity judgment. *Morton v. Cardinal*, 1992 U.S. App. LEXIS 14519, at *24 n.9 (Nies, C.J., dissenting from denial of rehearing in banc).

CONCLUSION

For the foregoing reasons, *amicus curiae* American Bar Association urges that this Court grant the petition for writ of certiorari.

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